

Message Text

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PAGE 01 KUWAIT 01098 220831Z

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ACTION NEA-12

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00 PM-07

H-03 L-03 NSC-07 PA-04 PRS-01 SS-20 USIA-15 NIC-01

SAJ-01 DRC-01 STR-08 /185 W
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R 211155Z MAR 74

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 9094

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY BELGRADE

AMEMBASSY JIDDA

AMEMBASSY MANAMA

AMEMBASSY MOSCOW

AMEMBASSY TEHRAN

C O N F I D E N T I A L KUWAIT 1098

BEIRUT PASS DAMASCUS AND BAGHDAD

E.O. 11652: GDS

TAGS: PFOR, PINR, EGEN, ETRD, KU

SUBJECT: SOVIET AND YUGOSLAV ECONOMIC ACTIVITY IN KUWAIT.

SUMMARY: EMBASSY HAS NOTED INCREASED ACTIVITY BY SOVIETS
TO GET Foothold HERE THROUGH SUBMITTING ARTIFICIALLY LOW
BIDS ON MAJOR CONTRACTS.
REPUTABLE LOCAL AGENTS, SOME OF
WHOM REPRESENT US COMPANIES, ARE REPRESENTING SOVIET
BUSINESS CONCERNS. SIMILARLY, YUGOSLAVS, WHO ALREADY SUCCESSFUL
HERE IN BIDDING ON MAJOR CONSTRUCTION PROJECTS, HAVE RECENTLY
SUBMITTED EXTREMELY ATTRACTIVE BIDS ON SOME TENDERS AND RECENT
HIGH LEVEL TALKS BETWEEN GOY AND GOK COULD LEAD TO SIGNI-
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PAGE 02 KUWAIT 01098 220831Z

FICANT EXPANSION OF YUGOSLAV-KUWAITI ECONOMIC RELATIONS.

ALTHOUGH KUWAITIS HAVE COME TO LIKE YUGOSLAV WORK, THEY APPEAR WARY OF SOVIETS, PARTICULARLY IF BY AWARDING THEM CONTRACTS DOOR WILL BE OPEN TO LARGE NUMBER SOVIET ADVISORS. GOOD CHANCE EXISTS, HOWEVER, THAT SOVIETS MAY WIN AT LEAST SOME CONTRACTS AND THEREBY ENHANCE THEIR POSITION HERE. END SUMMARY.

1. IN LAST SEVERAL MONTHS EMBASSY HAS BECOME AWARE OF SOVIET TRADING COMPANIES ESTABLISHING TIES WITH RESPECTED KUWAITI BUSINESSMEN. ONE SUCH REPORT CONCERNED KAHRAB TRADING CO., A PARTNERSHIP, INCLUDING MEMBERS OF ONE OF THE OLDEST, MOST PROMINENT FAMILIES IN KUWAIT (AL-SAGER), WHO REPRESENT SOVIET CONCERNS ON RELATIVELY SMALL ELECTRICAL EQUIPMENT TENDERS. IN ONE RECENT CASE KAHRAB BID KD 976 ON A 1000 KVA TRANSFORMER WHEN NEXT LOWEST BID WAS KD 1600 (KD 1 EQUALS \$3,38)

ON MARCH 4, CENTRAL TENDERS COMMITTEE OPENED BIDS FOR CONSTRUCTION AND SUPPLY TENDER ON FOUR STEAM PLANTS INTENDED TO HAVE TOTAL RATED CAPACITY OF 600MW. TENDER WAS DIVIDED IN THREE SECTIONS: (A) TURBINES AND SUPPORTING EQUIPMENT (B) AND CONSTRUCTION WORK AND (C) BOILERS. ONE TO TRY FOR THE ENTIRE PACKAGE WAS YUGOSLAVIA'S INVEST-IMPORT CO. WHICH BID APPROXIMATELY KD 51 MILLION. THIS MORE THAN KD 14 MILLION CHEAPER THEN NEXT LOWEST POSSIBLE COMBINATION OF BIDS ON A TENDER IN WHICH TWELVE ADDITIONAL INTERNATIONALLY WELL-KNOWN COMPANIES TOOK PART. YUGOSLAVS INTEND SUPPLY SOVIET TURBINES AND BOILERS.

3. FROM FRIENDLY BUSINESSMEN EMBASSY UNDERSTANDS THIS HAS PRESENTED MEW WITH A DILEMMA: IF SOVIET EQUIPMENT FOUND TO MEET TECHNICAL SPECIFICATIONS MINISTRY WILL HAVE LITTLE CHOICE BUT TO ACCEPT BID ALONG WITH CONCOMITANT NUMBER OF SOVIET "ADVISORS" WHO WILL BE WORKING ON PROJECT. ONLY POSSIBLE ESCAPE FOR GOK (IF THEY WANT IT) COULD BE THEIR TYPICAL UNDER-BUDGETING FOR PROJECT WHICH IN THIS CASE THOUGHT TO BE ONLY KD 40 MILLION. HOWEVER, POWER PLANTS ARE URGENTLY REQUIRED AND NORMAL PROCEDURE WOULD BE MERELY TO GO TO NATIONAL ASSEMBLY FOR ADDITIONAL FUNDING. INTERESTING TO NOTE THAT YUGOSLAV AGENT FOR THIS CONTRACT WAS AL-HANI CONSTRUCTION CO. AN CONFIDENTIAL

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PAGE 03 KUWAIT 01098 220831Z

ESTABLISHMENT COMPANY OWNED BY GULF BANK CHAIRMAN KHALED YOUSEF MUTAWA AND A NATURALIZED PALESTINIAN, ABDULMOHSIN KATTAN. COMPANY IS STAFFED BY NUMBER BRIGHT EXPATRIATE ARAB GRADUATES OF AUB AND TRADITIONALLY DEALS WITH U.S. AND EUROPEAN FIRMS.

5. RECENTLY DURING VISIT OF YUGOSLAV DELEGATION LED BY PRESIDENT FEDERAL EXECUTIVE COUNCIL, GOK AND GOY DISCUSSED SEVERAL PROJECTS INCLUDING SALE AND PURCHASES OF TANKERS AND BULK CARGO

SHIPS, INVESTMENT OF KUWAITI FUNDS IN YUGOSLAV SHIPYARDS, (FYI GOK IS PART OWNER OF LA CIOTAT SHIPYARDS IN FRANCE END FYI), BUILDING A DRY DOCK FOR SHIP MAINTENANCE IN KUWAIT AND OTHER JOINT PROJECTS. YUGOSLAVS HAVE WON GOOD REPUTATION HERE FOR CONSTRUCTION WORK AT SHUWAIKH PORT. IN ADDITION APPEARS THEY HAVE GOOD CHANCE TO WIN NOD TO BUILD MILITARY AIRPORTS. YUGOSLAVS OFFERED TO DESIGN THEM FREE OF CHARGE.

6. COMMENT: AS NOTED, YUGOSLAVS HAVE GOOD REPUTATION AND KUWAITIS TEND TREAT THEM LIKE OTHER EUROPEANS, BUT INTERESTING TO NOTE THAT IN AT LEAST SOME INSTANCES YUGOSLAVS PLANNING SELL SOVIET EQUIPMENT. SOVIET ACTIVITY IS, AS FAR AS WE CAN DETERMINE, OF RECENT VINTAGE. TOTAL SOVIET EXPORTS IN 1972 ONLY KD 2 MILLION, BUT PRESENT PORJECTS WOULD ENTAIL MUCH LARGER LEVEL OF SALES. WE BELIEVE SOVIETS HOPE BY ATTACHING ARTIFICIALLY LOW PRICES TO THEIR EQUIPMENT TO HELP BOLSTER THEIR INFLUENCE AND PRESENCE IN KUWAIT AND THAT ADDITIONAL USE OF THIS TECHNIQUE CAN BE EXPECTED.
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